

COBRA™

HOLDINGS PLC

COBRA Holdings Plc

Consolidated Financial Statements
for the Year Ended
31 March 2010



COBRA Holdings
COBRA Resource Management
COBRA Network
COBRA Insurance Brokers
COBRA Corporate Solutions
COBRA London Markets
COBRA Underwriting Agencies
COBRA Financial Services

Company Information

Directors

S M Burrows
H Poulton
D G E Stanley
P J Robinson
D Harris
S M Bullock
D M J Wainford

Secretary and Registered Office

H Poulton
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London
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Principal place of business

110 Fenchurch Street
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Company Number

05548507

Auditor

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55 Baker Street
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Nominated Adviser and Broker

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Chairman's and Chief Executive's Review of the year to 31 March 2010

COBRA continues to Grow

We are pleased to report our results for the year to 31 March 2010.

Key Financial Points

- Total Revenues **increased to £22.67M**
- Commission income **slightly down at £21.3M**
- Adjusted EBITDA **increased to £3.18M**
- Profit before tax **increased to £392K**
- Profit after tax **increased to £193K**
- Net Debt **down to £14.8M**
- Cash at bank **£1.2M**

Key Operational Points

- COBRA Network **increases member premiums via its approved agencies by £23M**
- COBRA Underwriting ("CUA") **revenues increased by 16%**
- COBRA London Markets **revenue grows by 21%**
- COBRA Insurance Brokers **profits increase by 5%**
- COBRA Financial Services **revenue grows by 48%**
- All acquisitions **successfully integrated**

Market conditions continue to be challenging, but our results illustrate that, following the reductions in expenditure achieved over the past 24 months and the continual improvements in the synergies of previously purchased companies, COBRA has achieved growth in overall profits and EBITDA against previous years' figures.

Over the past 12 months, integration of the acquisitions has been successfully completed and the Group is now benefiting from the available synergies in all areas of operation. We continue to evaluate our business mix, concentrating on dealing with profitable customers, allowing us to improve our service standards and improve retention.

Whilst substantial reductions have been achieved in the key areas of staff and occupancy costs, in view of the current economic climate, the Group will continue to concentrate on costs, whilst maintaining focus on organic growth and new projects over the next 12 months.

The ongoing revitalisation of COBRA London Markets ("CLM"), our Lloyd's broker, continues to show improvement in operating profits, culminating from both a decrease in expenditure, growth in retention, new business and credit write backs.

COBRA Network's gross written premium across its membership via our selected panel of insurers continues to grow against the back drop of increased competition. The Network offering was completely re-vamped in 2009, to provide four distinct facilities. This now allows us to cater for the start-up operation (COBRA Genesis), the market standard network (COBRA Classic), a managed income target network (COBRA Choice) and a finance option with network benefits (COBRA Capital Release). The results of these additional initiatives continue to create interest in our services from potential new broker members.

In common with many such businesses in the adverse economic climate, COBRA Financial Services ("CFS") has suffered in previous years, from client reticence to invest in markets and the previous results posted for CFS were below expectations. Following a restructuring and improvement in client offerings, we are now pleased to report significant improvements in both revenue and EBITDA. CFS continues to be an important strategic element of the Group and is now benefitting from the enlarged database following the six acquisitions in previous years.

Chairman's and Chief Executive's Review of the year to 31 March 2010 (continued)

The Group has benefitted from the significant investment by Wainford Holdings ("Wainford"), who have allowed us to draw down £7M over the past 15 months, by way of a convertible loan. This has enabled us to concentrate on growth objectives and other profitable new opportunities across the Group.

In accordance with accounting standards the comparative figures have been restated to correct historical errors in accounting for foreign exchange differences arising in legacy reporting systems in COBRA London Markets and to correctly eliminate certain inter group transactions in the prior year consolidated financial statements.

The balance sheet at 31 March 2010 includes debt with a fair value of approximately £16M of which 29% has been negotiated on advantageous interest free and/or deferred terms. Whilst the charge for finance costs of £1.6M reflects our debt level it is important to realise that approximately 27% of our finance charge is non-cash accounting adjustments and our debt service costs in cash terms are considerably lower than the impact on our profits under relevant International Financial Reporting Standards.

We believe that COBRA remains well placed to build on these results over the coming 12 months, as the organic growth plans, cost reductions and initiatives continue to bear fruit.

Peter Robinson
Steve Burrows

Chairman
Chief Executive

Report of the Directors

The Directors present their report together with the audited financial statements for the year to 31 March 2010.

Results and dividends

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 14. The adjusted EBITDA for the financial year was £3,178,571 (2009 restated: £2,320,410) and the Group recorded a profit before taxation of £391,987 (2009 restated: loss of £23,031). The Directors do not recommend the payment of a dividend for the year (2009: £nil).

Principal activities and business review

COBRA Holdings PLC is a UK-based retail and wholesale insurance broking group, having at its core a nationwide insurance network. It provides services including marketing, access to market, compliance assistance and brand awareness to in excess of 100 independent insurance brokers. In addition, it offers retail insurance via its general broking arms, wholesale Lloyd's facilities using its own Lloyd's broker, underwriting capacity from major UK insurers via its underwriting company and financial advice via its own independent financial services company. The Group has expanded over the last year due to both organic and new business growth and is now an established consolidator.

COBRA Network

Over the past 12 months, the Network has concentrated on member profitability and with improved management information, has consolidated its overall membership to those brokers who have growth plans and a strong desire to succeed. This has resulted in a reduction of existing member base from 2009. However, the Network continues to grow in gross written premiums transacted via its selected panel of insurers and is well placed to continue to expand in 2010.

As reported above, the Network offering is now via four distinct areas, namely, COBRA Genesis, COBRA Classic, COBRA Choice and COBRA Capital Release. This allows the Network to cater for an increased range of Insurance Brokers, providing a menu of services, bespoke to each member's needs.

COBRA Underwriting Agency (CUA)

The Underwriting agency has now successfully integrated County Schemes, acquired in 2008. Growth continues to meet expectations showing increased revenue for the year of 16% (on a like-for-like annual basis) to £4.47M.

A new bespoke computer system has now been commissioned within the underwriting agency, with full conversion of data expected during 2010/2011. Once complete, the underwriting agency is expected to be able to increase its capacity to trade, without incurring significant incremental staff costs.

Currently, CUA transacts business solely for COBRA Network members. With the advent of the new I.T solution, it will be able to expand its agency base outside of the Network and continue to expand its product offering. It is expected to begin transacting business on-line early in 2011.

COBRA London Markets (Lloyd's Wholesale Insurance Broking)

COBRA London Markets completed its restructuring in 2009 and is now showing significant growth in both premiums and profitability. Whilst approximately 60% of its business emanates from COBRA Network members, growth continues via new external agencies.

In view of the increased premiums written, it is now investigating new I.T solutions to increase efficiency over the coming years and the first stage of transfer is expected in 2011.

On-line facilities in Professional Indemnity have already been trialled and further expansion in internet transacted business is expected over the forthcoming months

Report of the Directors (continued)

COBRA Insurance Brokers (Retail Insurance Broking)

The U.K retail insurance market continues to be "soft", affecting both commercial and domestic insurance premiums.

We will continue to concentrate on further improving our relationships with existing clients, whilst carefully selecting profitable new business opportunities.

Our retail division continually researches the market for new scheme opportunities, which we believe allows us to grow within all market cycles.

We have successfully integrated all acquisitions into this division which will allow further growth and opportunities over the coming year.

COBRA Financial Services ("CFS")

As previously reported, Financial Services has suffered in the current economic climate. However, during 2009/10 we have experienced significant improvements in both revenues and profitability of this division, following changes in business mix and clientele.

New projects are currently underway and it is anticipated that growth will continue in these markets

Key performance indicators

The Directors consider the key financial performance indicators of the Group for 2010 to be:

- Rate of growth of revenues
- Growth of adjusted EBITDA; and
- Growth through increasing gross written premium via the COBRA Network's selected panel of insurers

In the current financial year total revenues have grown by 1.7%.

Adjusted EBITDA has grown by 37%.

Future Developments

The Group's future developments are outlined in the Chairman's and Chief Executive's Review.

Risks and uncertainties

Operation risk

The management of the business and the execution of the Group's strategy are subject to a number of risks.

The key business risks affecting the Group are considered to relate to competition from local and national brokers, employee retention and insurance premium levels. FSA compliance continues to demand greater attention as the regulator amends its policies.

Operational management monitor the activities of competing local and national brokers on an ongoing basis and operational strategy is adapted at regular meetings of the Executive and Operating boards, with action taken to counter the activities of significant competitors as required.

Retention of key employees is a priority of the business with emphasis being placed on consultation and communication with employees. The Human Resources function, under the oversight of the Remuneration Committee, regularly monitors industry remuneration surveys and benchmarks packages offered by our competitors to ensure key staff are employed on attractive terms and conditions.

We maintain a compliance function at both Group and regulated subsidiary levels and all staff with responsibility for compliance receive regular training. The Group provides compliance services and training in compliance matters to COBRA Network members.

Report of the Directors (continued)

Financial risk management

The Group's operations expose it to financial risks that include liquidity risk and interest rate risk. The Group has long term debt and is therefore exposed to risk in this respect but the Directors do not currently consider it necessary to use derivative financial instruments to manage interest rate costs, nor is hedge accounting applied.

Given the size of the Group and of its Board, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Group's finance department implements the policies set by the Board of Directors.

Pricing risk

Insurance market prices are subject to risks associated with the industry. The Group's revenues are tied to underlying premium rates in the wider market and if market rates fall then, in the absence of changes in negotiated rates of commission, so does the Group's principal revenue stream.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. Liquidity risk comprises three component parts: the servicing of existing obligations under debt instruments, the provision of adequate working capital finance for the Group's operations and the funding of future expansion plans.

The Group has significant obligations in the form of debt finance and deferred consideration outstanding in relation to previous acquisitions. The Group manages those obligations by a combination of servicing debt in accordance with contractual obligations, re-financing as required and negotiating the deferral of obligations if required by short term cash flow constraints or if it is beneficial to the Group to do so. At the date of approval of the financial statements the directors are engaged in a programme of reviewing these obligations and renegotiating certain of them.

The Group's operations generate sufficient cash inflows sufficient to provide working capital finance.

The Group actively manages its working finance to ensure the Group has adequate funds for operations and planned expansion.

The Directors consider the current level of funds will be sufficient to fund the Group's current level of activity. For the Group to achieve its planned expansion strategy, additional sources of acquisition and development capital are likely to be required.

Foreign exchange risk

The Group principally operates in the UK but does provide intermediary services to clients outside the UK. As a result the Group has exposure to the retranslation gains and losses arising from the impact in exchange rates on insurance assets and liabilities denominated in foreign currencies.

The Group follows a policy of matching foreign currency denominated insurance assets and liabilities so as to minimise the impact of exchange rate movements. However, it is Group policy to maintain an element of client cash in the currencies of its four main trading markets. Consequently, the value of the Group's net insurance assets, when measured in its reporting currency of GBP, will increase or decrease dependent on the exchange rates between GBP, Euros, Australian Dollars and US Dollars.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group's exposure to this risk is minimised by the nature of the agency relationships with Insurers, whereby the Group is not normally liable as principal for premiums due to underwriters or for claims payable to clients. The Group's residual exposure, comprising amounts due for commissions and amounts not covered by an agency relationship is further mitigated in that trade receivables consist of a large number of counterparties and in the case of Underwriters these consist of major UK Insurers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Report of the Directors (continued)

Going concern

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future as detailed in note 1 to the financial statements. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

International Financial Reporting Standards, as adopted by the European Union ('IFRS')

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by European Union and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS.

Directors' third party indemnity provisions

The Group had in place Directors' and Officers' indemnity insurance cover during the financial year and at the date of approval of the 31 March 2010 financial statements.

Policy on payment of creditors

The Company establishes continuing relationships with its suppliers by agreeing mutually acceptable arrangements on an individual basis. The principal trading creditors of the Group are the insurers where payment is typically 60 to 90 days (2009: 60 to 90 days).

Directors of the Company

The Directors who served during the year and their remuneration were as follows:

	Total	Salaries	Benefits in kind	Pension
	£	£	£	£
S M Burrows	194,863	168,651	16,212	10,000
H Poulton	64,400	53,333	1,067	10,000
D G E Stanley (appointed 23 September 2009)	102,917	102,917	-	-
P J Robinson	35,000	35,000	-	-
D Harris	25,000	25,000	-	-
S M Bullock	-	-	-	-
D M J Wainford	25,000	25,000	-	-
	<u>447,180</u>	<u>409,901</u>	<u>17,279</u>	<u>20,000</u>

In addition, the directors interests in share options is H Poulton has 400,000 share options exercisable at 80p per share from June 2010 and D G E Stanley has 400,000 share options exercisable at 72.5p per share from September 2012.

Included in legal and professional fees, £29,000 relates to costs paid to a third party in respect of services provided by S M Bullock.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Group. Particular attention is given to the training, career development and promotion of disabled persons with a view to encouraging them to play an active role in the development of the Group.

Employee involvement

The flow of information to staff is maintained by our staff intranet. Members of the management team regularly visit our various sites and discuss matters of current interest and concern to the business with members of staff.

Report of the Directors (continued)

Corporate governance

The Directors recognise the value of the Principles of Good Governance and the Code of Best Practice set out in the 2008 Combined Code (the "Combined Code").

Whilst companies whose shares are listed on AIM are not formally required to comply with the Combined Code, the Board supports the code and also the "Guidance for Smaller Quoted Companies" provided by the Quoted Companies Alliance ("QCA") in so far as is practicable and appropriate for a public company of its size. The company has not prepared this statement as though it was reporting against compliance with the Code and is providing the following information on a voluntary basis.

There is a clear division of responsibility between the Chairman and the Chief Executive. The Board comprises six Directors of whom two are executive directors three are independent Non-executive Directors and one non-executive director who is not considered to be independent. None of the Non-executive Directors has day-to-day involvement in running the business of the Company. The Board is responsible for overall strategy, approval of major projects and consideration of significant financing matters. The Board meets at regular, scheduled intervals and follows a formal agenda and can also meet to approve specific transactions.

The audit committee of the Board has written terms of reference and is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The audit committee meets to review reports from the auditors at least twice annually. Committee members are non-executive Directors, all of whom are independent. The membership of the Committee during the year was S Bullock (Chair), P Robinson, D Harris and D Wainford. Other Directors attend as observers as required.

The remuneration committee of the Board has written terms of reference and is responsible for setting and reviewing the remuneration of the executive Directors and senior managers of the Group, including share options and service agreement terms. Committee members are non-executive Directors, all of whom are independent. The membership of the Committee during the year was D Harris (Chair), S Bullock, P Robinson and D Wainford. The remuneration of non-executive Directors is decided by the Chairman and the executive members of the Board. The remuneration committee reviews the performance of the executive Directors annually.

The Directors have access to the advice and services of the company secretary of the Group and may take, at the Company's expense, independent professional advice.

The Directors have adopted a share dealing code which imposes restrictions upon the Directors, members of their families, Senior Managers and any employees of the Company or the Group who are likely to be in possession of unpublished price sensitive information. The share dealing code requires that any such person obtain clearance before dealing in the Ordinary Shares. Clearance will not be given during any period in which the Company is in possession of unpublished price sensitive information, and in particular, during the periods running up to the publication or announcement by the Company of its financial results.

Political and charitable contributions

The Company and its subsidiaries made charitable donations, in respect of employees' fund-raising activities, during the year of £5,716 (2009: £5,854) to various charities including £1,050 to the Variety Club of Great Britain, £1,650 to Christies Cancer Trust and individual donations less than £500 each were made to various hospices, medical research charities and children's charities totalling £3,016.

There were no political donations during the year (2009: £nil)

Report of the Directors (continued)

Statement as to disclosure of information to auditor

Each of the Directors at the time when this report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any information needed by the Company's auditor in connection with preparing the audit report and to establish that the Company's auditor is aware of that information.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be made at the Company's next annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board

H Poulton
Director

Date: 8 September 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to the shareholders of COBRA Holdings PLC

We have audited the financial statements of COBRA Holdings PLC for the year ended 31 March 2010 which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of cash flow, the consolidated and Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the shareholders of COBRA Holdings PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Chidgey (senior statutory auditor)
For and behalf of BDO LLP, statutory auditor
Chartered Accountants and Registered Auditors
55 Baker Street
London
W1U 7EU

Date: 8 September 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number 00305127)

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2010

	Note	2010 £	2009 £ <i>Restated</i>
Revenue	3		
Commissions		21,263,751	21,768,211
Interest and investment income	8	24,489	247,006
Other income	4	1,390,954	285,944
		<u>22,679,194</u>	<u>22,301,161</u>
Staff costs	6	(11,872,434)	(13,146,659)
Property costs		(1,299,191)	(1,333,124)
Other operating costs		(6,328,998)	(5,500,968)
		<u>(19,500,623)</u>	<u>(19,980,751)</u>
Adjusted EBITDA*		3,178,571	2,320,410
Share based payment expenses	28	(127,073)	(134,081)
Depreciation of property, plant and equipment		(402,170)	(419,559)
Amortisation of intangible assets		(662,689)	(595,458)
Operating profit		<u>1,986,639</u>	<u>1,171,312</u>
Finance costs	9	(1,594,652)	(1,194,343)
Profit / (loss) before tax	5	<u>391,987</u>	<u>(23,031)</u>
Income tax expense	10	(199,457)	(168,947)
Profit / (loss) for the year and total comprehensive income		<u><u>192,530</u></u>	<u><u>(191,978)</u></u>
Earnings / (loss) per share			
Basic	21b	0.46p	(0.46)p
Diluted	21b	0.33p	(0.46)p

* Earnings before interest, tax, depreciation and amortisation adjusted to exclude share based payment expense.

The notes on pages 20 to 61 form part of these financial statements.

All amounts relate to continuing activities.

**Consolidated Statement of Financial Position
As at 31 March 2010**

	Notes	2010 £	2009 £ <i>Restated</i>	2008 £ <i>Restated</i>
ASSETS				
Non-current assets				
Property, plant and equipment	11	2,174,870	2,473,788	1,901,590
Investments	12	52,925	52,925	6,281
Goodwill and other intangibles	13	24,716,993	25,215,103	15,589,392
		<u>26,944,788</u>	<u>27,741,816</u>	<u>17,497,263</u>
Current assets				
Trade and other receivables	14	4,501,900	4,858,421	3,707,451
Cash and cash equivalents	15	8,643,557	12,010,319	8,233,340
		<u>13,145,457</u>	<u>16,868,740</u>	<u>11,940,791</u>
Total assets		<u>40,090,245</u>	<u>44,610,556</u>	<u>29,438,054</u>
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	17	13,467,882	14,607,493	6,489,445
Other liabilities	18	335,000	1,075,077	2,082,861
Deferred tax	20	1,420,465	1,573,485	987,729
		<u>15,223,347</u>	<u>17,256,055</u>	<u>9,560,035</u>
Current liabilities				
Borrowings	17	2,599,590	2,023,421	1,577,315
Current tax payable		197,566	430,507	48,802
Trade and other payables	16	9,714,894	13,890,387	9,944,125
Other liabilities	18	974,903	-	-
		<u>13,486,953</u>	<u>16,344,315</u>	<u>11,570,242</u>
Total liabilities		<u>28,710,300</u>	<u>33,600,370</u>	<u>21,130,277</u>
Equity				
Share capital	21	10,524,053	10,524,053	9,871,030
Convertible debt	17	382,749	332,593	-
Share premium	21	4,088,232	4,088,232	2,313,542
Acquisition reserve	29	(3,946,723)	(3,946,723)	(3,946,723)
Retained earnings		331,634	12,031	69,928
Total equity		<u>11,379,945</u>	<u>11,010,186</u>	<u>8,307,777</u>
Total equity and liabilities		<u>40,090,245</u>	<u>44,610,556</u>	<u>29,438,054</u>

The notes on pages 20 to 61 form part of these financial statements. See note 1 for explanation of restatement.

The financial statements on pages 14 to 61 were approved by the Board of Directors and authorised for issue on 8 September 2010 and signed on its behalf by:

H Poulton
Director

**Company Statement of Financial Position
As at 31 March 2010**

		2010 £	2009 £	2008 £
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment	11	203,583	201,511	238,465
Investments	12	32,731,615	32,685,930	21,449,891
Deferred tax		-	-	51,951
		<u>32,935,198</u>	<u>32,887,441</u>	<u>21,740,307</u>
Current assets				
Trade and other receivables	14	4,042,787	3,190,440	1,971,085
Cash and cash equivalents	15	222,875	1,634,254	1,169,077
		<u>4,265,662</u>	<u>4,824,694</u>	<u>3,140,162</u>
Total assets		<u>37,200,860</u>	<u>37,712,135</u>	<u>24,880,469</u>
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings	17	12,629,860	13,260,476	4,375,831
Other liabilities	18	335,000	917,795	1,652,852
Deferred tax	20	13,475	10,676	-
		<u>12,978,335</u>	<u>14,188,947</u>	<u>6,028,683</u>
Current liabilities				
Borrowings	17	1,523,255	883,162	1,045,781
Current tax payable		-	-	16,844
Trade and other payables	16	9,874,112	9,327,718	6,293,700
Other liabilities	18	974,903	157,282	430,009
		<u>12,372,270</u>	<u>10,368,162</u>	<u>7,786,334</u>
Total liabilities		<u>25,350,605</u>	<u>24,557,109</u>	<u>13,815,017</u>
Equity				
Share capital	21	10,524,053	10,524,053	9,871,030
Convertible debt	17	382,749	332,593	2,313,542
Share premium	21	4,088,232	4,088,232	-
Retained earnings		<u>(3,144,779)</u>	<u>(1,789,852)</u>	<u>(1,119,120)</u>
Total equity		<u>11,850,255</u>	<u>13,155,026</u>	<u>11,065,452</u>
Total equity and liabilities		<u>37,200,860</u>	<u>37,712,135</u>	<u>24,880,469</u>

The notes on pages 20 to 61 form part of these financial statements.

The financial statements on pages 14 to 61 were approved by the Board of Directors and authorised for issue on 8 September 2010 and signed on its behalf by:

H Poulton
Director

**Consolidated Statement of Changes in Equity
For the year ended 31 March 2010**

	Share capital £	Convertible debt £	Share premium £	Acquisition reserve £	Retained earnings £	Total £
At 1 April 2008	9,871,030	-	2,313,542	(3,946,723)	476,695	8,714,544
Prior period adjustment	-	-	-	-	(406,767)	(406,767)
Restated balance At 1 April 2008	9,871,030	-	2,313,542	(3,946,723)	69,928	8,307,777
Changes in equity						
Total comprehensive income as previously reported	-	-	-	-	44,406	44,406
Prior period adjustment					(236,384)	(236,384)
Restated total comprehensive income	-	-	-	-	(191,978)	(191,978)
Shares issued	653,023	-	-	-	-	653,023
Convertible debt	-	332,593	-	-	-	332,593
Share premium	-	-	1,774,690	-	-	1,774,690
Share based payment	-	-	-	-	134,081	134,081
Restated balance At 31 March 2009	10,524,053	332,593	4,088,232	(3,946,723)	12,031	11,010,186
Changes in equity						
Total comprehensive income for the year	-	-	-	-	192,530	192,530
Total comprehensive income	-	-	-	-	192,530	192,530
Convertible debt	-	50,156	-	-	-	50,156
Share based payment	-	-	-	-	127,073	127,073
At 31 March 2010	10,524,053	382,749	4,088,232	(3,946,723)	331,634	11,379,945

Restatement is a result of the prior year adjustment as detailed in note 1.

The notes on pages 20 to 61 form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2010

	Share capital £	Convertible debt £	Share premium £	Retained earnings £	Total £
At 1 April 2008	9,871,030	-	2,313,542	(1,119,120)	11,065,452
Changes in equity					
Total comprehensive income for the year	-	-	-	(804,813)	(804,813)
Shares issued	653,023	-	-	-	653,023
Convertible debt	-	332,593	-	-	332,593
Share premium	-	-	1,774,690	-	1,774,690
Share based payment	-	-	-	134,081	134,081
At 31 March 2009	10,524,053	332,593	4,088,232	(1,789,852)	13,155,026
Changes in equity					
Total comprehensive income for the year	-	-	-	(1,482,006)	(1,482,006)
Convertible debt	-	50,156	-	-	50,156
Share based payment	-	-	-	127,079	127,079
At 31 March 2010	10,524,053	382,749	4,088,232	(3,144,779)	11,850,255

The notes on pages 20 to 61 form part of these financial statements.

Consolidated Statement of Cash Flow

	Consolidated		Company	
	2010	2009	2010	2009
	£	£	£	£
		<i>Restated</i>		
Cash generated from operations				
Profit before taxation	391,986	(23,031)	(1,479,206)	(759,028)
Depreciation of property, plant & equipment	402,170	419,559	56,345	58,032
Amortisation of customer relationships	662,689	595,458	-	-
(Profit) / loss on disposal of fixed assets	(8,423)	-	10,626	-
Share based payment expense	127,073	134,081	127,073	134,081
Finance expense on other financial liabilities	117,229	149,871	56,918	69,691
Finance expense on deferred consideration	112,047	240,919	112,047	240,919
Finance expense on loan notes	114,332	115,625	114,332	115,625
Finance expense on convertible debt	84,720	34,534	84,720	34,534
Other finance costs	1,166,320	653,394	1,053,127	656,135
Changes in working capital net of effect of acquisitions:				
Trade and other receivables	355,949	369,550	(852,347)	(1,219,355)
Trade and other payables	(2,216,258)	1,248,163	2,564,814	2,582,847
	<u>1,309,834</u>	<u>3,938,123</u>	<u>1,848,449</u>	<u>1,913,481</u>
Cash inflows from operating activities				
Cash generated from operations	1,309,834	3,938,123	1,848,449	1,913,481
Income taxes paid	(585,109)	(130,881)	-	-
Finance costs	(1,166,320)	(653,394)	(1,053,127)	(656,135)
Net cash generated from operating activities	<u>(441,595)</u>	<u>3,153,848</u>	<u>795,322</u>	<u>1,257,346</u>
Cash flows from investing activities				
Purchase of property, plant & equipment	(132,049)	-	(17,613)	-
Proceeds from disposal of property, plant & equipment	16,537	(134,967)	-	(6,434)
Acquisition of subsidiaries, net of cash acquired (note 25)	(45,685)	(1,833,594)	(45,685)	(3,643,420)
Deferred consideration on acquisitions	(1,894,066)	(6,431,195)	(1,894,066)	(6,431,195)
Net cash outflows from investing activities	<u>(2,055,263)</u>	<u>(8,399,756)</u>	<u>(1,957,364)</u>	<u>(10,081,049)</u>
Cash flows from financing activities				
Proceeds from issue of share capital	-	447,123	-	447,123
Proceeds from long term borrowings	1,000,000	11,818,000	1,000,000	11,818,000
(Decrease) / increase in bank overdrafts	(57,464)	21,795	-	-
Payment of finance lease liabilities	(194,198)	(243,678)	(66,231)	(79,827)
Payment of loan notes	(347,334)	(371,576)	(347,334)	(371,576)
Payment of long term borrowings	(1,270,908)	(2,648,777)	(835,772)	(2,524,840)
Net cash inflows from financing activities	<u>(869,904)</u>	<u>9,022,887</u>	<u>(249,337)</u>	<u>9,288,880</u>
(Decrease) / increase in cash & cash equivalents	(3,366,762)	3,776,979	(1,411,379)	465,177
Cash & cash equivalents at beginning of year	12,010,319	8,233,340	1,634,254	1,169,077
Cash & cash equivalents at end of the year	<u>8,643,557</u>	<u>12,010,319</u>	<u>222,875</u>	<u>1,634,254</u>

The principal non-cash transactions are the issue of shares in consideration for acquisitions as set out in note 24.

The notes on pages 20 to 61 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The Company is a public limited liability Company and is incorporated and domiciled in England and Wales. Items included in these financial statements are presented and measured in Sterling being the functional currency of the primary economic environment in which the Company operates.

Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted for use in the European Union, the AIM rules and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRSs.

Prior period error

In accounting for IAS 8, 'Accounting policies, changes in Accounting Estimates and Errors' errors in foreign exchange differences have been identified in prior year financial statements in the subsidiary COBRA London Markets Limited that as a result require the comparatives in the current year consolidated financial statements to be restated as follows:

Consolidated Statement of Comprehensive Income for the year ended 31 March 2009	31 March 2009 As previously reported	Adjustments	31 March 2009 as restated
	£	£	£
Revenue	<u>23,000,214</u>	<u>(699,053)</u>	<u>22,301,161</u>
Operating expenses			
Other operating costs	5,871,710	-	5,871,710
Foreign exchange difference (note a)	-	328,311	328,311
Commission expense (note b)	-	(699,053)	(699,053)
Operating costs	<u>5,871,710</u>	<u>(370,742)</u>	<u>5,500,968</u>
Adjusted EBITDA	<u>2,648,721</u>	<u>(328,311)</u>	<u>2,320,410</u>
Operating profit	<u>1,499,623</u>	<u>(328,311)</u>	<u>1,171,312</u>
Profit / (loss) for the year before tax	305,280	(328,311)	(23,031)
Income tax	<u>(260,874)</u>	<u>91,927</u>	<u>(168,947)</u>
Profit / (loss) for the year	<u>44,406</u>	<u>(236,384)</u>	<u>(191,978)</u>

a) As part of the credit write-back process undertaken in the financial year, exchange gain differences relating to certain of those balances were identified which had previously been incorrectly taken to the income statement in the years subsequent to the credit balances arising. The effect on the 2009 consolidated statement of income of this error is shown above. The impact of the error on periods prior to 31 March 2009 has been adjusted through reserves as shown in the table on the following page.

b) In the prior year, intra-group transactions were not eliminated on consolidation which resulted in revenue and operating expenses being overstated by £699,053. As this adjustment only affects revenue and operating costs in the consolidated statement of comprehensive income and has no impact on profits, periods prior to 31 March 2009 do not require adjustment.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Prior period error (continued)

Consolidated Statement of Financial Position as at 31 March 2009	31 March 2009 As previously reported £	Adjustments £	31 March 2009 as restated £
Equity			
Retained earnings	655,182	-	655,182
Prior period adjustment 31 March 2008	-	(406,767)	(406,767)
Prior period adjustment 31 March 2009	-	(236,384)	(236,384)
Retained earnings / (deficit)	<u>655,182</u>	<u>(643,151)</u>	<u>12,031</u>
Current liabilities			
Trade and other payables	12,997,122	-	12,997,122
Prior period adjustment 31 March 2008	-	564,954	564,954
Prior period adjustment 31 March 2009	-	328,311	328,311
Revised trade and other payables	<u>12,997,122</u>	<u>893,265</u>	<u>13,890,387</u>
Current tax payable	680,621	-	680,621
Prior period adjustment 31 March 2008	-	(158,187)	(158,187)
Prior period adjustment 31 March 2009	-	(91,927)	(91,927)
	<u>680,621</u>	<u>(250,114)</u>	<u>430,507</u>
Total adjustment to current liabilities	<u>15,701,164</u>	<u>643,151</u>	<u>16,344,315</u>
Total equity and liabilities	<u>44,610,556</u>	<u>-</u>	<u>44,610,556</u>
Earnings per share effect	0.11p	(0.57)p	(0.46)p

The effect of the above adjustments has been reflected in the segmental analysis disclosure (note 2).

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Prior period error (continued)

Consolidated Statement of Comprehensive Income for the year ended 31 March 2008	31 March 2008 As previously reported £	Adjustments £	31 March 2008 as restated £
Operating expenses			
Other operating costs	4,717,196	564,954	5,282,150
Adjusted EBITDA	1,296,440	(564,954)	731,486
Operating profit	210,124	(564,954)	(354,830)
Profit / (loss) for the year before tax	(491,892)	(564,954)	(1,056,846)
Income tax	(27,522)	158,187	130,665
Loss for the year	(519,414)	(406,767)	(926,181)
Consolidated Statement of Financial Position as at 31 March 2008	31 March 2008 As previously reported £	Adjustments £	31 March 2008 as restated £
Equity			
Retained earnings	476,695	(406,767)	69,928
Current liabilities			
Trade and other payables	9,379,171	564,954	9,944,125
Current tax payable	206,989	(158,187)	48,802
Total adjustment to current liabilities	11,163,475	406,767	11,570,242
Total equity and liabilities	29,438,054	-	29,438,054
Earnings per share effect	(1.42)p	(1.03)p	(2.45)p

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Going concern basis of accounting

The Group has significant obligations in the form of debt finance and deferred consideration outstanding in relation to previous acquisitions. The Group manages those obligations by a combination of servicing debt in accordance with contractual obligations, re-financing as required and negotiating the deferral of obligations if required by short term cash flow constraints or if it is beneficial to the Group to do so. The Directors are engaged in reviewing certain of the Group's obligations and renegotiating them where appropriate. At the date of approval of the financial statements deferred consideration liabilities of approximately £1.0 million were overdue for payment. However, the directors have reached commercial agreement for the further deferral of approximately £0.7 million, although legal completion has not yet taken place. The Directors are also engaged in negotiation for the further deferral of the remaining £0.3 million and have obtained indicative terms for the funding of this amount to enable those negotiations to proceed to commercial agreement.

The Group actively manages its working capital finance to ensure the Group has sufficient funds for operations and planned expansion.

Although the Directors consider that for the Group to achieve its planned expansion strategy, additional sources of acquisition and development capital are likely to be required, no material expansion commitments are entered into unless appropriate funding commitments have been negotiated.

The Directors have prepared forecasts for a period of at least twelve months from the date of approval of the financial statements and are satisfied that the Group can meet all its obligations as they fall due or re-financed if required.

For these reasons the Directors believe that it remains appropriate to prepare the financial statements on the going concern basis."

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of COBRA Holdings PLC and its subsidiaries as at 31 March 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Subsidiaries are consolidated into the Group financial statements from the date on which the power to control is established by the Group until the date that control ceases. All inter-company balances, transactions, income and expense and profits and losses resulting from intra-Group transactions are eliminated in full. Control is normally evident when COBRA Holdings PLC owns more than 50% of the voting rights of a company's share capital.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed as at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Company Statement of Comprehensive Income

In accordance with Section 408 of the Companies Act 2006, the Company has elected not to publish a Company statement of comprehensive income. The loss for the Company in the year is £1,482,006 (2009: loss £804,813).

Functional currency and foreign exchange

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. The principal areas in which estimates are applied are as follows:

- Valuation of the assets of the subsidiaries at the point of acquisition (note 24)
- Recoverability of trade receivables (note 14)
- Estimation of the useful lives of intangible assets and property, plant and equipment (notes 11 & 13)
- Quantification of the fair value of loan notes and convertible loan notes (note 17)
- Quantification of the fair value of contingent deferred consideration (notes 16 & 18)
- Quantification of the fair value of facilities available from insurers (note 17)
- Valuation of share based payments (note 28)

The principal areas in which judgement is applied are as follows:

- Identification of separable intangible assets arising on acquisition (note 13)
- Identification and quantification of impairment of goodwill (note 13)

Revenue

The Group generates revenue from commission and fees associated with the placement of reinsurance and insurance contracts and policies and related activities, together with the placement of financial service products.

In respect of insurance broking, income is recognised for commission income on policy inception. Alterations in commission arising from premium adjustments are taken into account as and when such adjustments are notified.

In respect of financial services, commissions are recognised on the date on which the application is completed and accepted and renewals are recognised on their renewal date.

Other fees and other income receivable, including profit share and commission overrides, are recognised in the period to which they relate and when they can be measured with reasonable certainty, and all servicing obligations have been met.

Interest income

Interest income on fiduciary cash balances held are credited to revenue on an accruals basis, subject to the terms of business agreed with the client. As interest income forms an integral part of the Group's operating activities it is included in revenue.

Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, share option charges, tax, amortisation and depreciation.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Goodwill and intangible assets

IFRS 3 requires that on an acquisition the difference between the cost of acquisition and the fair value of the net assets acquired be analysed between goodwill and specific intangible assets acquired.

In the opinion of the Directors, specific intangible assets comprising customer relationships met the criteria for separate recognition arising on the acquisitions in the year and these are disclosed in note 13. Customer relationships are amortised over their expected useful lives on a straight line basis. The current estimated economic lives used are 10 years.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recorded at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any related goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in statement of comprehensive income.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefit associated with the item will flow to the company; and
- the cost of the item can be reliably measured.

Cost includes costs incurred to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replacement part is derecognised.

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment evenly over their expected lives. It is calculated at the following rates:

Freehold land	Not depreciated
Freehold buildings	1-2% on cost
Leasehold property improvements	Term of the lease
Fixtures and fittings and computer equipment	33% on cost
Motor vehicles	20% on cost

Assets under finance leases

Where assets are financed by leasing agreements that give rights approximate to ownership (finance leases), the assets are treated as if they were purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement. Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the statement of comprehensive income using the effective interest method.

Operating leases

Leases other than finance leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

All incentives for the agreement of a new or renewed operating lease are recognised as part of net consideration, irrespective of nature, or form, or timing of payments. The aggregate benefit of any incentive is generally recognised as a reduction of rental expense over the lease term, on a straight-line basis.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Taxation

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment and the amortisation of customer relationships. The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Retirement benefit costs

Pension scheme contributions to the Group's money purchase schemes are charged to the statement of comprehensive income in the year to which they relate.

Provisions

The Group does not issue contracts with insurance risk. However, in the normal course of its business a number of the Group's subsidiaries provide advice and assistance to third parties in arranging insurance and other financial services contracts. In common with comparable businesses the Group is, from time to time, involved in disputes arising from advice given which may give rise to claims. Provision is made in the financial statements for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims. The Group maintains professional indemnity insurance at an appropriate level in relation to possible claims. No disclosure is made of the cost of potential claims covered by insurance as to do so could seriously prejudice the position of the Group.

Financial instruments

a) Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise cash balances, cash deposits and cash on call. Included within cash and cash equivalents is fiduciary cash held on behalf of clients or insurers.

b) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

c) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not yet billed to the Company. The amounts are unsecured, non-interest bearing, are normally settled within 60 days and are stated at cost. Trade payables are recognised initially at fair value and subsequently at amortised cost.

d) Insurance receivables and payables

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, receivables from insurance broking transactions are netted off against insurance payables in the financial statements and are not included as an asset of the Group. In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Long term liabilities

a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

b) Loan notes

Loan notes are initially recognised at fair value, net of transaction costs incurred. Loan notes are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period until redemption using the effective interest rate method.

c) Fair value of financial instruments

The Group uses its judgement, based on the market conditions at each balance sheet date, to select the method and assumptions for determining the fair value of financial instruments that are not traded on an active market. Due to their short maturities, the carrying amounts of certain of the Group's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate to their fair value, based on borrowing rates currently available to the Group.

d) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost. The difference between the fair value of the convertible debt instrument as a whole and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt elements are credited to share capital, share premium and retained earnings as appropriate.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's preference shares include a contractual obligation on the Company to deliver cash in the form of the annual preference dividend and, in the absence of any other terms that would indicate an equity element, have been classified wholly as a financial liability. The Group's ordinary shares are classified as equity instruments. The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components.

Operating segments

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. The Group operates wholly in the UK but provides intermediary services to clients outside the UK.

Share based payments

The cost of awards to employees that take the form of shares or rights to shares is measured at the fair value of the equity instrument awarded at the date of grant, and is recognised in the statement of comprehensive income over the vesting period of the award, with a corresponding increase in equity.

The fair value of share options awarded is calculated using the Black-Scholes pricing model.

Notes to the consolidated financial statements for the year ended 31 March 2010

1. Accounting policies and presentation of annual financial statements (continued)

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provisions for impairment in the financial statements of the Company. Dividends are accounted for when the Company becomes entitled to receive them. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 April 2009

The following new standards, interpretations and amendments, applied for the first time from 1 April 2009, have had an effect on the financial statements:

Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation:

As a result of the application of this Amendment the Group have elected to present a single statement of comprehensive income; previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements. Under the Amendment a third statement of financial position has been included due to the prior year restatement.

IFRS 8, Operating Segments, replaces IAS 14, Segment Reporting. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are disclosed in note 2.

The following new standards, interpretations and amendments, also effective for the first time from 1 April 2009, have not had a material effect on the financial statements:

- Amendments to IFRS 7
- Amendment to IAS 23 Borrowing Costs
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements to IFRSs (2009)
- IFRIC 15 Agreements for the Construction of Real Estate
- Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)

Future accounting developments

Certain new standards, amendments to standards and interpretations have been published that are mandatory to the Group's future accounting periods but have not been adopted early in these financial statements. These are set out below:

Title	Implementation	Anticipated effect on the Group
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	Periods commencing on or after 30 June 2009	Unlikely to have a material effect
IFRS 3 (Revised) Business Combinations	Periods commencing on or after 1 July 2009	Unlikely to have a material effect
Amendments to IAS 27 Consolidated and Separate Financial Statements	Periods commencing on or after 1 July 2009	Unlikely to have a material effect
IFRIC 17 Distribution of Non-cash Assets to Owners	Periods commencing on or after 1 July 2009. Early adoption permitted	Unlikely to have a material effect

Notes to the consolidated financial statements for the year ended 31 March 2010

Changes in accounting policies (continued)

Future accounting developments (continued)

Title	Implementation	Anticipated effect on the group
IFRIC 18 Transfer of Assets from Customers	Transfer of assets from customers received on or after 1 July 2009	Unlikely to have a material effect
Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Periods commencing on or after 1 July 2009. Early adoption permitted	Unlikely to have a material effect
IFRS 2 (Amendment) Group Cash – settled Share-based Payment Transactions	Periods commencing on or after 1 January 2010. Early adoption is permitted	Unlikely to have a material effect
Improvements to IFRSs (2010)	Periods commencing on or after 1 January 2010. Early adoption is permitted	Unlikely to have a material effect
IAS 32 (Amendment) Financial Instruments: Presentation	Periods commencing on or after 1 February 2010. Early adoption is permitted	Unlikely to have a material effect
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*	Periods commencing on or after 1 July 2010. Early adoption is permitted	Unlikely to have a material effect
Improvements to IFRSs (2011)	Periods commencing on or after 1 January 2011. Early adoption is permitted	Unlikely to have a material effect
IAS 24 (Revised) Related Party Disclosures *	Periods commencing on or after 1 January 2011. Early adoption is permitted	Unlikely to have a material effect
IFRS 9 Financial Instruments*	Periods commencing on or after 1 January 2013. Early adoption is permitted	Unlikely to have a material effect

(*) – not currently endorsed for use in the European Union.

2. Operating Segments

Business segments

Based on risks and returns, the Group's board of directors acting as the Chief Operating decision maker, considers that the Group business segments during the year ended 31 March 2010 were as follows:

- Retail insurance (comprising all subsidiary companies apart from those specifically mentioned below)
- Provision of independent financial advice (comprising COBRA Financial Services Limited)
- Wholesale insurance (comprising COBRA London Markets Limited)
- Underwriting agency activity (comprising COBRA Underwriting Agencies Limited)
- Network (comprising COBRA Network Limited)

Notes to the consolidated financial statements for the year ended 31 March 2010

2. Operating Segments (continued)

Business segments (continued)

31 March 2010	Retail insurance £	Financial advice £	Wholesale insurance £	Underwriting agency activity £	Network £	Total £
Revenue from external customers	8,799,353	1,710,944	4,832,742	4,447,392	2,736,963	22,527,394
Intersegment revenues	880,993	-	-	22,664	46,500	950,157
Interest expense	72,411	11,967	10,262	64,130	10,919	169,689
Depreciation and amortisation	631,255	71,683	67,820	184,418	31,962	987,138
Reportable segment profit for the year	250,382	33,623	1,518,070	363,407	254,668	2,420,150
Reportable segment assets	24,233,835	2,061,167	7,421,785	4,935,008	713,237	39,365,032
Reportable segment liabilities	5,024,472	264,195	3,316,276	2,767,944	620,679	11,993,566
Additions to non-current assets	57,896	3,895	38,783	35,311	23,036	158,921
Revenues					£	£
Total revenue for reportable segments						22,527,394
Interest income					57,247	
Release of accrued income relating to insurer liabilities					79,998	
Other					14,555	151,800
Entity's revenue					<u>14,555</u>	<u>22,679,194</u>
Profit or loss						£
Total profit or loss for reportable segments						2,420,150
Head office operating costs						(2,227,620)
Entity's profit						<u>192,530</u>
Assets					£	£
Total assets for reportable segments						39,365,032
Head office assets						
Property, plant & equipment					249,207	
Cash and cash equivalents					223,264	
Trade and other receivables					252,742	725,213
Entity's assets					<u>252,742</u>	<u>40,090,245</u>
Liabilities					£	£
Total liabilities for reportable segments						11,993,566
Head office liabilities						
Deferred tax					8,523	
Current borrowings					2,097,012	
Non-current borrowings					12,629,860	
Other non-current liabilities					335,000	
Other liabilities					974,903	
Trade and other payables					671,436	16,716,734
Entity's liabilities					<u>671,436</u>	<u>28,710,300</u>
Other material items				Reportable segment total	Head office expenses	Total
				£	£	£
Interest expense				169,689	1,424,963	1,594,652
Depreciation and amortisation				987,138	77,721	1,064,859
Additions to non-current assets				158,921	72,629	231,550
				<u>158,921</u>	<u>72,629</u>	<u>231,550</u>

Head office assets, liabilities and expenses represent group support/services provided to subsidiary undertakings.

Notes to the consolidated financial statements for the year ended 31 March 2010

2. Operating segments (continued)

31 March 2009	Retail insurance	Financial advice	Wholesale insurance	Underwriting agency activity	Network	Total
	£	£	£	£	£	£
Revenue from external customers	9,366,262	1,158,272	4,003,871	3,845,008	3,615,467	21,988,880
Intersegment revenues	683,876	-	-	15,177	-	699,053
Interest expense	66,926	15,626	12,615	83,398	4,758	183,323
Depreciation and amortisation	587,842	78,156	73,523	161,747	34,773	936,041
Reportable segment profit for the year	285,917	(305,895)	(248,504)	302,047	1,434,337	1,467,902
Reportable segment assets	26,004,342	2,014,589	7,502,435	5,750,495	1,227,326	42,499,187
Reportable segment liabilities	5,933,597	476,596	4,322,571	3,672,028	574,655	14,979,447
Additions to non-current assets	147,914	147,280	38,210	44,687	37,332	415,423

Revenues

	£	£
Total revenue for reportable segments		21,988,880
Interest income	57,247	
Release of accrued income relating to insurer liabilities	160,000	
Other	95,034	312,281

Entity's revenue

22,301,161

Profit or loss

	£
Total profit or loss for reportable segments	1,467,902
Head office operating costs	(1,659,880)
Entity's profit	<u>(191,978)</u>

Assets

	£	£
Total assets for reportable segments		42,499,187
Head office assets		
Property, plant & equipment	266,497	
Cash and cash equivalents	1,636,910	
Trade and other receivables	207,962	2,111,369

Entity's assets

44,610,556

Liabilities

	£	£
Total liabilities for reportable segments		14,979,447
Head office liabilities		
Deferred tax	9,359	
Current borrowings	1,430,916	
Non-current borrowings	13,299,224	
Other liabilities	1,075,077	
Trade and other payables	2,806,347	18,620,923

Entity's liabilities

33,600,370

Other material items

	Reportable segment total	Head office expenses	Total
	£	£	£
Interest expense	183,323	1,011,020	1,194,343
Depreciation and amortisation	936,041	78,976	1,015,017
Additions to non-current assets	415,423	32,822	448,245

Head office assets, liabilities and expenses represent group support/services provided to subsidiary undertakings.

Notes to the consolidated financial statements for the year ended 31 March 2010

3. Revenue

The revenue and profit before tax are attributable to the principal activities of the Group. Operating segmental reporting is disclosed in note 2.

4. Other income

	2010 £	2009 £
Credit write backs	1,390,954	285,944
	<u>1,390,954</u>	<u>285,944</u>

Credit write backs represent an adjustment for legacy balances and redundant entries processed in the year in accordance with the Financial Services Authority's criteria.

5. Profit / (loss) before tax

	2010 £	2009 £ <i>Restated</i>
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	402,170	419,559
Amortisation of intangibles	662,689	595,458
Operating lease costs – land and buildings	900,006	977,961
Foreign exchange (gain) / loss	(170,330)	3,220
Staff costs (note 6)	11,872,434	13,146,659
Auditor's remuneration (note 7)	407,627	369,517
	<u>407,627</u>	<u>369,517</u>

6. Particulars of employees

The monthly average number of employees, including executive Directors, employed in the Group during the financial year amounted to:

	2010 No.	2009 No.
Number of staff	<u>274</u>	<u>271</u>
The aggregate payroll costs of the	£	£
Wages and salaries	10,068,598	11,180,821
Social security costs	1,088,998	1,206,661
Benefits in kind	189,499	189,098
Other pension costs	525,339	570,079
	<u>11,872,434</u>	<u>13,146,659</u>

The share based payment expense was £127,073 (2009: £134,081) and is described in note 28.

The remuneration of key management and Directors is disclosed in note 22.

Notes to the consolidated financial statements for the year ended 31 March 2010

7. Auditor's remuneration

		2010 £	2009 £
Fees payable to the Group's auditor for the audit of the Group's financial statements	Current auditor	41,255	20,000
Fees payable to the Group's auditor and its associates for other services:			
Audit of the Group's subsidiaries	Previous auditor	-	121,077
	Current auditor	187,560	154,668
Tax services	Previous auditor	-	33,503
	Current auditor	32,947	20,000
Other services	Previous auditor	-	20,269
	Current auditor	7,397	-
Additional fees on previous audits		138,468	-
Total auditor remuneration		<u>407,627</u>	<u>369,517</u>

8. Interest and investment income

	2010 £	2009 £
Interest receivable	<u>24,489</u>	<u>247,006</u>
	<u>24,489</u>	<u>247,006</u>

9. Finance costs

	2010 £	2009 £
Finance lease interest	48,431	59,414
Interest expense:		
Interest expense on debt finance	1,042,621	541,125
Finance expense on financial liabilities measured at amortised cost	117,229	149,871
Finance expense on deferred consideration	112,047	240,919
Finance expense on loan notes measured at amortised cost	114,332	115,625
Finance expense on convertible loan notes	84,720	34,534
Bank charges	75,272	52,855
	<u>1,594,652</u>	<u>1,194,343</u>

Notes to the consolidated financial statements for the year ended 31 March 2010

10. Taxation

	2010 £	2009 £ <i>Restated</i>
Major components of the tax expense / credit:		
Income tax expense - current year	347,921	368,926
Over provision in prior year	4,586	(19,946)
Tax expense - current year	<u>352,507</u>	<u>348,980</u>
Deferred tax - current year (note 20)	(165,702)	(201,050)
Over provision in prior year	12,652	21,017
Deferred tax credit - current year	<u>(153,050)</u>	<u>(180,033)</u>
Income tax expense	<u><u>199,457</u></u>	<u><u>168,947</u></u>

Taxation differs from the standard rate of corporation tax of 28% (2009: 28%) in the UK as applied to the profits as explained below:

Profit / (loss) before tax	<u>391,987</u>	<u>(23,031)</u>
Profit / (loss) multiplied by the standard rate of tax in the UK of 28%	109,756	(6,449)
Effects of:		
Expenses not deducted for tax purposes	166,443	214,667
Adjustments in respect of prior year	17,238	(20,922)
Utilisation of tax losses	-	(18,349)
Losses not utilised	(93,980)	-
	<u>89,701</u>	<u>175,396</u>
Income tax expense	<u><u>199,457</u></u>	<u><u>168,947</u></u>

Notes to the consolidated financial statements for the year ended 31 March 2010

11. Property, plant and equipment

Group	Freehold property	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At 1 April 2009	1,328,318	61,890	1,034,301	685,026	3,109,535
Additions during the year	-	-	139,584	91,966	231,550
Disposals during the year	-	-	(134,293)	(273,581)	(407,874)
At 31 March 2010	1,328,318	61,890	1,039,592	503,411	2,933,211
Depreciation:					
At 1 April 2009	-	21,240	441,438	173,069	635,747
Charge for the year	26,566	7,772	203,069	164,763	402,170
Disposals for the year	-	-	(122,359)	(157,217)	(279,576)
At 31 March 2010	26,566	29,012	522,148	180,615	758,341
Net book value at 31 March 2010	1,301,752	32,878	517,444	322,796	2,174,870

Included within the net book values are amounts of £473,627 (2009: £665,386) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £214,200 (2009: £243,126).

Property pledged as security for bank borrowings is set out in note 17.

Group	Freehold property	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At 1 April 2008	825,000	61,890	854,943	574,932	2,316,765
Additions on business combination	503,318	2,737	80,049	33,063	619,167
Additions during the year	-	2,737	208,520	236,988	448,245
Disposals during the year	-	(5,474)	(109,211)	(159,957)	(274,642)
At 31 March 2009	1,328,318	61,890	1,034,301	685,026	3,109,535
Depreciation:					
At 1 April 2008	-	13,389	315,849	85,937	415,175
Charge for the year	-	7,851	221,910	189,798	419,559
Disposals for the year	-	-	(96,321)	(102,666)	(198,987)
At 31 March 2009	-	21,240	441,438	173,069	635,747
Net book value at 31 March 2009	1,328,318	40,650	592,863	511,957	2,473,788

Notes to the consolidated financial statements for the year ended 31 March 2010

11. Property, plant and equipment (continued)

Company	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£
Cost:				
At 1 April 2009	29,263	228,061	44,895	302,219
Additions during the year	-	14,612	56,000	70,612
Disposals during the year	-	(2,145)	(44,895)	(47,040)
At 31 March 2010	29,263	240,528	56,000	325,791
Depreciation:				
At 1 April 2009	10,010	56,091	34,607	100,708
Charge for the year	3,326	47,431	5,585	56,342
Disposals for the year	-	(235)	(34,607)	(34,842)
At 31 March 2010	13,336	103,287	5,585	122,208
Net book value at 31 March 2010	15,927	137,241	50,415	203,583

Included within the net book values are amounts of £161,883 (2009: £162,857) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £43,277 (2009: £49,051).

Company	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£
Cost:				
At 1 April 2008	29,263	206,983	44,895	281,141
Additions during the year	-	21,078	-	21,078
Disposals during the year	-	-	-	-
At 31 March 2009	29,263	228,061	44,895	302,219
Depreciation:				
At 1 April 2008	6,684	12,609	23,383	42,676
Charge for the year	3,326	43,482	11,224	58,032
Disposals for the year	-	-	-	-
At 31 March 2009	10,010	56,091	34,607	100,708
Net book value at 31 March 2009	19,253	171,970	10,288	201,511

Notes to the consolidated financial statements for the year ended 31 March 2010

12. Investments

Group	Other £	Total £
At 31 March 2010 and 31 March 2009	<u>52,925</u>	<u>52,925</u>

	Other £	Total £
At 31 March 2008	6,281	6,281
Additions during the year	<u>46,644</u>	<u>46,644</u>
At 31 March 2009	<u>52,925</u>	<u>52,925</u>

Company	Investments in subsidiaries £
At 31 March 2009	32,685,930
Additional costs incurred on prior year business combinations (see note 25)	<u>45,685</u>
At 31 March 2010	<u>32,731,615</u>

	Investments in subsidiaries £
At 31 March 2008	21,449,891
Addition on business combinations (see note 24)	<u>11,236,039</u>
At 31 March 2009	<u>32,685,930</u>

Details of subsidiary undertakings held at the year end are set out in note 26.

Notes to the consolidated financial statements for the year ended 31 March 2010

13. Goodwill and other intangibles

Group	Goodwill £	Customer relationships £	Software licenses £	Total £
Cost:				
At 1 April 2009	19,962,877	6,509,198	-	26,472,075
Additions on prior year business combinations	45,685	-	-	45,685
Additions during the year	-	-	118,894	118,894
At 31 March 2010	20,008,562	6,509,198	118,894	26,636,654
Accumulated amortisation:				
At 1 April 2009	-	1,256,972	-	1,256,972
Charge for the year	-	650,800	11,889	662,689
At 31 March 2010	-	1,907,772	11,889	1,919,661
Net book value at 31 March 2010	20,008,562	4,601,426	107,005	24,716,993

Group	Goodwill £	Customer relationships £	Software licenses £	Total £
Cost:				
At 1 April 2008	12,558,708	3,692,198	-	16,250,906
Additions on prior year business combinations	135,101	-	-	135,101
Additions on business combinations	7,269,068	2,817,000	-	10,086,068
At 31 March 2009	19,962,877	6,509,198	-	26,472,075
Accumulated amortisation:				
At 1 April 2008	-	661,514	-	661,514
Charge for the year	-	595,458	-	595,458
At 31 March 2009	-	1,256,972	-	1,256,972
Net book value at 31 March 2009	19,962,877	5,252,226	-	25,215,103

Goodwill

During the year ended 31 March 2010, the Group assessed the recoverable amount of goodwill and determined that goodwill was not impaired.

Goodwill was allocated for impairment testing purposes to the following four cash generating units:

- Retail insurance (comprising COBRA Insurance Brokers Limited, COBRA Tubbs Batten Limited, COBRA UK & Ireland Limited, COBRA Giles (Alton) Limited, COBRA JK Lee Limited and Thornway Insurance Limited)
- Financial advice (comprising COBRA Financial Services Limited and OPAL Mortgage Life and Pensions Limited)
- Wholesale insurance (comprising COBRA London Markets Limited)
- Underwriting agency activity (comprising COBRA Underwriting Agencies Limited)

Notes to the consolidated financial statements for the year ended 31 March 2010

13. Goodwill and other intangibles (continued)

Goodwill (continued)

The recoverable amount of the cash-generating units is determined based on a value-in-use calculation using cash flow forecasts. The Group prepares cash flow forecasts for each cash-generating unit, based on the most recent financial budget approved by management and extrapolates cash flows for a period of ten years. Growth rates are based on actual growth rates achieved in similar businesses in the Group on a like for like basis and are adjusted to recognise local factors and current economic conditions. Revenues are projected to grow at 5% per annum for five years and then stay flat. The growth rate reflects management's strategic plans for each of the cash generating units. Costs are projected to grow at 3% per annum based on the average RPI since 2000.

The cash flows were discounted at a pre-tax rate of 8 per cent per annum (2009: 7%), which is the composite cost of capital derived from the Group's borrowing rate and commission payable on raising equity.

Sensitivities

Sensitivity analysis has been undertaken on each goodwill impairment review by increasing the risk element of the discount rate and other applicable variables for each cash generating unit.

It was noted that reducing the annual growth rate percentage to zero did not cause the carrying value of goodwill to be impaired. Discount rates would have to be increased to 12% to cause impairment in COBRA Financial Services Limited and in excess of 15% for COBRA Insurance Brokers Limited and the other cash generating units.

The carrying amount of goodwill allocated to the cash generating units is as follows:

	2010	2009
	£	£
Retail insurance	14,432,381	14,372,824
Financial advice	1,456,720	1,470,592
Wholesale insurance	2,193,194	2,193,194
Underwriting agency activity	1,926,267	1,926,267
	<u>20,008,562</u>	<u>19,962,877</u>

Customer relationships

The valuations of customer relationships have been based on an income approach which is considered by the Directors to be most suitable for the appraisal of assets such as contracts and contractual relationships. The approach considers the extent to which future income streams that are likely to be receivable as a consequence of owning the contractual relationships.

A discounted cash flow method has been used to calculate a business enterprise valuation for each cash generating unit. These calculations have been prepared only in order to establish an appropriate discount rate to apply to each cash generating unit.

The discount rate applied to the subsequent valuations has been arrived at by applying the rate derived for each reporting unit.

Notes to the consolidated financial statements for the year ended 31 March 2010

13. Goodwill and other intangibles (continued)

Customer relationships (continued)

Key assumptions underlining the valuations are as follows:

1. Projected revenues and net revenues for each reporting unit are derived from the Group's business plan and extrapolated.
2. Management estimates of key variables, based on historical experience, are as follows:
 - (a) Recurring revenues: 20 per cent. – 70 per cent.
 - (b) Average length of client relationship: 10 years

Customer relationships are being amortised over a period of 10 years.

14. Trade and other receivables

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade receivables	3,776,991	4,152,923	-	-
Amounts due from Group undertakings	-	-	3,810,373	2,989,540
Other receivables	724,909	705,498	232,414	200,900
	<u>4,501,900</u>	<u>4,858,421</u>	<u>4,042,787</u>	<u>3,190,440</u>

The Directors consider that the carrying value of trade and other receivables approximates their fair value.

15. Cash and cash equivalents

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Non-statutory trust accounts (client monies)	7,428,889	8,973,083	-	-
Cash at bank and in hand	1,214,668	3,037,236	222,875	1,634,254
	<u>8,643,557</u>	<u>12,010,319</u>	<u>222,875</u>	<u>1,634,254</u>

In accordance with the requirements of the Financial Services Authority, client money is held in separately designated Trust Accounts.

Notes to the consolidated financial statements for the year ended 31 March 2010

16. Trade and other payables

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
		<i>Restated</i>		
Deferred consideration	-	2,016,846	-	2,016,846
Trade payables	7,447,555	9,866,336	-	-
Amounts owed to Group undertakings	-	-	9,174,320	6,491,128
Other taxation and social security	270,487	360,741	17,478	21,508
Other payables	130,459	201,752	-	4,437
Accruals	1,866,393	1,444,712	682,314	793,799
	<u>9,714,894</u>	<u>13,890,387</u>	<u>9,874,112</u>	<u>9,327,718</u>

Included within trade payables is £7,428,889 relating to insurance broking payables (2009: £8,973,083).

To the extent that trade and other payables are not carried at fair value in the balance sheet, book value approximates to fair values at 31 March 2010 and 2009.

17. Borrowings

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Non-current				
Bank borrowings	321,806	420,577	321,804	420,577
Financial institution borrowings	3,250,000	4,625,000	3,250,000	4,625,000
Loan notes	1,351,040	1,584,043	1,351,040	1,584,043
Convertible debt	6,553,593	5,519,029	6,553,593	5,519,029
Insurer liabilities	1,712,956	2,053,358	1,115,827	1,058,909
Finance lease obligations	278,487	405,486	37,596	52,918
	<u>13,467,882</u>	<u>14,607,493</u>	<u>12,629,860</u>	<u>13,260,476</u>
Current				
Bank borrowings	85,000	72,000	85,000	72,000
Financial institution borrowings	1,375,000	750,000	1,375,000	750,000
Bank overdrafts	-	57,464	-	-
Insurer liabilities	360,000	337,500	-	-
Finance lease obligations	244,590	271,457	63,255	61,162
Preference shares	535,000	535,000	-	-
	<u>2,599,590</u>	<u>2,023,421</u>	<u>1,523,255</u>	<u>883,162</u>
Total borrowings	<u>16,067,472</u>	<u>16,630,914</u>	<u>14,153,115</u>	<u>14,143,638</u>

Notes to the consolidated financial statements for the year ended 31 March 2010

17. Borrowings (continued)

Bank borrowings

As at 31 March 2010 the Company had £406,804 (2009: £492,577) outstanding on a loan with Handelsbanken, repayable in quarterly instalments to October 2014. The loan is secured by way of a legal charge over the freehold property in the subsidiary COBRA UK & Ireland Limited.

Interest is payable at 1.5% over LIBOR on the Handelsbanken loan.

The Directors consider that the difference between the fair value and the carrying value of borrowings is immaterial.

Financial institution borrowings

As at 31 March 2010 the Company had £4,625,000 (2009: £5,375,000) outstanding on a fixed-term loan from a major insurer, repayable in monthly instalments to April 2011. The loan is secured by a debenture (incorporating a fixed and floating charge) and cross-guarantees from the Company and the following subsidiaries:

COBRA Capital Release Limited	COBRA TB Limited
COBRA Corporate Solutions Limited	COBRA Tubbs Batten Limited
COBRA Giles (Alton) Limited	COBRA UK & Ireland Holdings Limited
COBRA Insurance Brokers Limited	COBRA UK & Ireland Limited
COBRA J.K Lee Limited	COBRA Underwriting Agencies Limited
COBRA Network Limited	OPAL Mortgage Life and Pensions Limited
COBRA Resource Management Limited	

Interest is payable at 2.5% over 1 month LIBOR on financial institution borrowings.

Bank overdrafts

As at 31 March 2010 the Group had undrawn facilities of £100,000 (2009: £17,536) on overdrafts with varying review dates within 1 year.

Loan notes

The loan notes were issued to the former owners of the subsidiary undertakings as part consideration for acquisitions and are unsecured and interest free. They are redeemable by the Company at any time prior to 31 January 2011, when repayment is due, except in certain circumstances such as default by the Company when the loan note holder can require redemption. See also note 26.

Movement during the year:

	Group	Company
	£	£
At 31 March 2009	1,584,043	1,584,043
Payment during the year	(347,331)	(347,331)
	<u>1,236,712</u>	<u>1,236,712</u>
Finance expense (note 9)	114,332	114,332
At 31 March 2010	<u>1,351,044</u>	<u>1,351,044</u>

Notes to the consolidated financial statements for the year ended 31 March 2010

17. Borrowings (continued)

Convertible debt

Repayable after more than five years is convertible debt with a carrying value of £6,553,593 (2009: £5,519,029) and a face value of £7,000,000 (2009 - £6,000,000). The holders of the convertible debt (note 26) have the option at any point before maturity to exchange debt with a face value of £7,000,000 for 14,000,000 £0.25 ordinary shares of the Company.

The coupon rate on the convertible loan notes is 12.5%.

Movement during the year:

	Group	Company
	£	£
At 31 March 2009	5,519,029	5,519,029
Amount drawn down during the year	1,000,000	1,000,000
Transfer to convertible debt reserve	(50,156)	(50,156)
	<u>6,468,873</u>	<u>6,468,873</u>
Finance expense (note 9)	84,720	84,720
At 31 March 2010	<u>6,553,593</u>	<u>6,553,593</u>

Insurer liabilities

As at 31 March 2010 the Company had £1,115,827 (2009: £1,058,909) outstanding on an unsecured interest free trading facility from a major insurer repayable through a reduced commission rate from the insurer until the earlier of the facility being fully repaid or 31 June 2012 at which point any outstanding balance is repayable.

In addition, as at 31 March 2010 COBRA Underwriting Agencies Limited had £957,130 (2009: £1,331,949) outstanding on an unsecured interest free trading facility from a major insurer repayable through a reduced commission rate from the insurer in until the earlier of the facility being fully repaid or five years from July 2007 (date of advance) at which point any outstanding balance is repayable.

Movement during the year:

	Group	Company
	£	£
At 31 March 2009	2,390,858	1,058,909
Payments during the year	(435,131)	-
	<u>1,955,727</u>	<u>1,058,909</u>
Finance expense resulting from measurement at amortised cost	117,229	56,918
At 31 March 2010	<u>2,072,956</u>	<u>1,115,827</u>

Notes to the consolidated financial statements for the year ended 31 March 2010

17. Borrowings (continued)

Finance lease obligations

Details of finance lease obligations are as follows:

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Amounts due:				
No later than 1 year	277,935	316,366	66,659	66,311
Later than 1 year and no later than 5 years	<u>299,842</u>	<u>433,182</u>	<u>39,744</u>	<u>54,145</u>
	577,777	749,548	106,403	120,456
Future finance charges	<u>(54,700)</u>	<u>(72,605)</u>	<u>(5,552)</u>	<u>(6,376)</u>
Present value of finance lease liabilities	<u>523,077</u>	<u>676,943</u>	<u>100,851</u>	<u>114,080</u>
Shown as:				
Current liabilities - no later than 1 year	244,590	271,457	63,255	61,162
Non-current liabilities - later than 1 year and no later than 5 years	<u>278,487</u>	<u>405,486</u>	<u>37,596</u>	<u>52,918</u>
	<u>523,077</u>	<u>676,943</u>	<u>100,851</u>	<u>114,080</u>

There is no material difference between the total of the future minimum lease payments at the balance sheet date and their present values.

The Group leases the majority of its motor vehicles (net carrying value of £329,993) and computer equipment (net carrying value £143,634). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Preference shares

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Amounts due:				
No later than 1 year	<u>535,000</u>	<u>535,000</u>	<u>-</u>	<u>-</u>

COBRA GAL (Holdings) Limited had £535,000 of preference shares carrying an annual coupon rate of 7% payable half yearly and accruing on a daily basis. The preference shares were redeemable at par in ten half yearly instalments from 30 November 2005. Each preference share carries one vote in the event of default on a preference dividend or default on redemption.

COBRA GAL (Holdings) Limited preference shares were all redeemable by 30 November 2009. The preference shares, as a result, have been recognised as a liability to the Group instead of equity.

As at 31 March 2010, the preference shares are yet to be redeemed, thus in accordance with the COBRA GAL (Holdings) Limited Articles of Association the redeemable preference shareholders are entitled to vote (each preference share having one vote on a poll) at all annual general and extraordinary general meetings of GAL (Holdings) Limited. This does not affect COBRA Holdings PLC's ability to control.

The Directors have valued the financial liabilities based on their fair values and subsequently carried at amortised cost.

Notes to the consolidated financial statements for the year ended 31 March 2010

18. Other liabilities

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Contingent deferred consideration:				
Current – due within 1 year	974,903	-	974,903	157,282
Non-current – due later than 1 year	-	1,075,077	-	917,795
	<u>974,903</u>	<u>1,075,077</u>	<u>974,903</u>	<u>1,075,077</u>

Movement during the year:

	Group £	Company £
At 31 March 2009	1,075,077	1,075,077
Reduction in contingent deferred consideration during the year	(167,914)	(167,914)
Unwinding of contingent deferred consideration during the year	67,741	67,741
At 31 March 2010	<u>974,904</u>	<u>974,904</u>

Contingent deferred consideration relates to deferred consideration for which the payments are dependent upon future performance. Deferred consideration is based upon best estimates of the performance of the underlying business (see note 24).

The unwinding of the contingent deferred consideration has been included within finance costs.

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Non-contingent deferred consideration:				
Non-current – due later than 1 year	335,000	-	335,000	-
	<u>335,000</u>	<u>-</u>	<u>335,000</u>	<u>-</u>

On 28 February 2010, the vendors of Giles Alton agreed to defer £335,000 due until April 2012 (see note 24)

Notes to the consolidated financial statements for the year ended 31 March 2010

19. Commitments under operating leases

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	2010		2009	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases payments:				
Due within 1 year	414,496	71,517	441,188	34,212
Due between 1 year and 5 years	1,417,520	92,477	652,144	48,122
Due later than 5 years	67,925	-	142,025	-
	<u>1,899,941</u>	<u>163,994</u>	<u>1,235,357</u>	<u>82,334</u>

20. Deferred Taxation

Deferred taxation is calculated in full on temporary timing differences under the liability method and relates to accelerated capital allowances and temporary differences on customer relationships. The movement on the deferred taxation account is shown below:

	2010	2009
	£	£
At 1 April 2009	1,573,485	987,729
Fair values of customer relationships	(182,224)	(166,728)
Fair values of property acquired on acquisition	(3,491)	-
Fair values of share based payments	7,933	-
Deferred tax (charge) / credit on profit / (loss) from continuing operations	12,110	(34,322)
	<u>(165,672)</u>	<u>(201,050)</u>
Adjustment in respect of prior year	12,652	(1,954)
Deferred tax arising on acquisitions	-	788,760
At 31 March 2010	<u>1,420,465</u>	<u>1,573,485</u>

Deferred tax included in the balance sheet comprises:

Plant and equipment related temporary differences	(24,561)	(48,192)
Deferred tax liability on customer relationships	1,288,389	1,470,762
Deferred tax liability on fair value of property acquired on acquisition	170,509	174,000
Deferred tax asset on share based payments	-	(7,933)
Other temporary differences	(13,872)	(15,152)
	<u>1,420,465</u>	<u>1,573,485</u>

Deferred tax on customer relationships expected to reverse in the year ended 31 March 2011 is £182,224.

Notes to the consolidated financial statements for the year ended 31 March 2010

21. Share capital and earnings/(loss) per share

a) Share Capital

Company	2010		2009	
	No.	£	No.	£
Authorised:				
Ordinary shares of £0.25 each	146,140,000	36,535,000	146,140,000	36,535,000
	<u>146,140,000</u>	<u>36,535,000</u>	<u>146,140,000</u>	<u>36,535,000</u>

Company	2010		2009	
	No.	£	No.	£
Allotted, called up and fully paid:				
£0.25 each at beginning of period	42,096,212	10,524,053	39,484,120	9,871,030
Issued in the year	-	-	2,612,092	653,023
At the end of year	<u>42,096,212</u>	<u>10,524,053</u>	<u>42,096,212</u>	<u>10,524,053</u>

As at 31 March 2010 the balance in the Company share premium account was £4,088,232 (2009: £4,088,232).

b) Earnings / (loss) per share

i) Basic

The Basic earnings per share in the year ended 31 March 2010 is calculated by dividing the consolidated profit of £192,530 (2009 restated: loss £191,978) attributable to equity holders in the Company by the number of ordinary shares in issue during the year of 42,096,212 (2009: 42,096,212).

ii) Diluted

Diluted earnings per share is calculated by dividing the consolidated profit of £192,530 (2009 restated: loss £191,978) attributable to equity holders in the Company by the ordinary shares in issue together with the share options in issue and convertible debt options in issue during the year of 58,731,212 (2009: 56,136,212).

22. Emoluments of Directors and key management

In respect of the Directors of COBRA Holdings PLC:

	2010	2009
	£	£
Salaries	409,901	637,596
Benefits in kind	17,279	16,175
Post employment benefits	20,000	20,000
Directors' remuneration	447,180	673,771
Social security costs	47,985	79,316
Share based payment	42,477	32,727
	<u>537,642</u>	<u>785,814</u>
Number of Directors to whom retirement benefits are accruing under money purchase scheme	<u>2</u>	<u>2</u>

The highest paid Director received emoluments of £184,863 excluding pension contributions (2009: £256,205). In addition, the Company made pension contributions of £10,000 for the highest paid Director (2009: £10,000).

At 31 March 2010 the aggregate number of share options held by Directors of the Company was 800,000 (2009: 400,000).

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Assets as per balance sheet:				
Trade and other receivables	4,328,257	4,577,730	4,021,919	3,176,915
Amounts due from Group companies	-	-	3,810,373	2,989,540
Total loans and receivables	4,328,257	4,577,730	7,832,292	6,166,455
Investments available for sale	52,925	52,925	-	-
Cash and cash equivalents	8,643,557	12,010,319	222,875	1,634,254
	<u>13,024,739</u>	<u>16,640,974</u>	<u>8,055,167</u>	<u>7,800,709</u>

Other financial liabilities:	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
		<i>Restated</i>		
Liabilities as per balance sheet:				
Borrowings	16,067,472	16,630,914	14,153,115	14,143,638
Deferred consideration	335,000	2,016,846	-	2,016,846
Trade and other payables	9,444,407	11,512,800	9,856,634	7,289,364
Total liabilities measured at amortised costs	25,846,879	30,160,560	24,009,749	23,449,848

Trade and other receivables differ from those included in note 14 due to the exclusion of prepayments of £173,650 (2009: £280,691).

Financial risk management objectives and policies

The Group's financial instruments, which are recognised in the balance sheet, comprise cash and cash equivalents, receivables and payables, borrowings, finance lease obligations and other financial liabilities. The accounting policies and methods adopted, including the basis of measurement applied are disclosed in note 1 above, where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes above, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has a risk management function which manages and continually monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk.

There were no financial instruments not recognised in the balance sheet.

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments (continued)

Interest rate risk

The Group is exposed to interest rate risk as the Group borrows at both fixed (finance loans) and fluctuating (bank borrowings) interest rates. The Group has both interest bearing assets and interest bearing liabilities. The Group's primary interest rate risk relates to the bank borrowings and financial institution borrowings as disclosed in note 17. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings so that fluctuations in variable rates do not have a material impact on results.

Interest rate sensitivity

If interest rates had been 2% points higher/lower and all other variables were held constant, the impact on the Group's profit for the financial year would have been a decrease / increase in the profit of £180,469 (2009: £45,699) (Company: £244,687 (2009: £274,419)) which would have the same effect on equity after adjusting for tax.

Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. In order to mitigate any liquidity risk that the Group may face, the Group's policy has been to maintain sufficient assets and liquid resources to ensure that adequate funds are available to cover its obligations. This is managed by continuously monitoring forecast and actual cashflows.

At 31 March 2010, the Group had cash and cash equivalents of £8,643,557 (2009: £12,010,319) of which £7,428,889 (2009: £8,973,083) relates to client monies held in non statutory trust. Included within the cash balance held are amounts placed on money markets with high credit rated banks for periods of up to a month at varying rates.

At 31 March 2010, the Company had cash and cash equivalents of £222,875 (2009: £1,634,254) of which £nil (2009: £nil) relates to client monies held in non statutory trust. Included within the cash balance held are amounts placed on money markets with high credit rated banks for periods of up to a month at varying rates.

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments (continued)

Liquidity risk (continued)

The table below analyses the maturity of the contractual undiscounted cashflows on financial liabilities where the carrying value differs from the contractual undiscounted cashflows.

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Non-current				
Bank Borrowings: 1-2 years	85,000	72,000	85,000	72,000
Bank Borrowings: 2-5 years	236,806	348,577	236,804	348,577
	<u>321,806</u>	<u>420,577</u>	<u>321,804</u>	<u>420,577</u>
Deferred consideration: 1-2 years	335,000	1,006,250	335,000	1,006,250
Loan notes: 2-5 years	1,473,375	1,820,709	1,473,375	1,820,709
Convertible debt: 2-5 years	7,000,000	6,000,000	7,000,000	6,000,000
Financial institution borrowings: 1-2 years	1,500,000	1,375,000	1,500,000	1,375,000
Financial institution borrowings: 2-5 years	1,750,000	3,250,000	1,750,000	3,250,000
	<u>3,250,000</u>	<u>4,625,000</u>	<u>3,250,000</u>	<u>4,625,000</u>
Insurer liabilities: 1-2 years	360,000	337,500	-	-
Insurer liabilities: 2-5 years	1,512,446	1,992,576	1,200,000	1,200,000
	<u>1,872,446</u>	<u>2,330,076</u>	<u>1,200,000</u>	<u>1,200,000</u>
	<u>14,252,627</u>	<u>16,202,612</u>	<u>13,580,179</u>	<u>15,072,536</u>
Current				
Bank borrowings	85,000	72,000	85,000	72,000
Bank overdraft	-	57,464	-	-
Deferred consideration	1,005,860	2,228,677	1,005,860	2,228,677
Financial institution borrowings	1,375,000	750,000	1,375,000	750,000
Insurer liabilities	360,000	337,500	-	-
Preference shares	535,000	535,000	-	-
Trade payables	7,447,555	8,973,071	-	-
	<u>10,808,415</u>	<u>12,953,712</u>	<u>2,465,860</u>	<u>3,050,677</u>

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group's exposure to this risk is minimised by the nature of the agency relationships with Insurers, whereby the Group is not normally liable as principal for premiums due to underwriters or for claims payable to clients. The Group's residual exposure, comprising amounts due for commissions and amounts not covered by an agency relationship is further mitigated in that trade receivables consist of a large number of counterparties and in the case of Underwriters these consist of major UK Insurers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The ageing of trade receivables at the reporting date was:

	2010	2009
	£	£
Not past due	3,149,878	3,112,560
Past due 0 – 30 days	208,464	453,411
Past due 31 – 60 days	174,599	201,288
More than 60 days	244,050	385,664
	<u>3,776,991</u>	<u>4,152,923</u>

No impairment losses for trade receivables have been recognised in the accounts. Management maintain a policy of periodically reviewing all debtor balances for recoverability. Adjustments are made only where the balance is deemed to be wholly irrecoverable. In this respect, charges in the Income Statement represent debtor write offs. Other classes within trade and other receivables do not contain impaired assets.

A provision for impaired receivables of £nil (2009: £32,877) has been recognised in the year. The movement in the provision has been included within other operating costs in the income statement.

The Group's maximum exposure to credit risk is £13,145,464 being cash and cash equivalents, client deposits and trade receivables (2009: £16,868,739). The Company's maximum exposure to credit risk is £4,265,662 being cash and cash equivalents, client deposits and trade receivables (2009: £4,824,694).

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments (continued)

Foreign currency exchange risk

The Group engages in foreign currency denominated transactions.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. Premiums and claims are transacted in the same foreign currency as far as possible to achieve a natural hedge.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
	£	£	£	£
USD : £	1.597	1.705	1.529	1.433
EUR : £	1.129	1.198	1.132	1.08
AUD\$: £	1.860	2.169	1.662	2.063

The Group's exposure to foreign currency risk based on year end book values is as follows:

	Financial assets		Financial liabilities	
	2010	2009	2010	2009
	£	£	£	£
USD	113,434	233,210	338,131	827,582
EUR	181,234	49,320	341,116	1,404,764
AUD\$	132	15,759	37,529	80,851
	294,800	298,289	716,776	2,313,197

Foreign currency exchange sensitivity

If foreign currency exchange rates had been 20% lower and all other variables were held constant, the Group's pre tax profit for the year ended 31 March 2010 would have decreased by £168,944 (2009: £139,310) which would have the same effect on equity after adjusting for tax. The Company does not have exposure to foreign currencies.

Notes to the consolidated financial statements for the year ended 31 March 2010

23. Financial instruments (continued)

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The table below shows the gearing ratios.

	2010	2009
	£	£
Total borrowings (note 17)	16,067,472	16,630,914
Deferred consideration < 1 year	974,903	2,016,846
	<u>17,042,375</u>	<u>18,647,760</u>
Less: cash and cash equivalents (note 15)	(1,214,668)	(3,037,236)
Net debt	<u>15,827,707</u>	<u>15,610,524</u>
Total equity	11,379,945	11,653,337
Total debt and equity	<u>27,207,652</u>	<u>27,263,861</u>
Gearing ratio	58%	57%

24a. Acquisitions during the year

No acquisitions were made during the year.

24b. Acquisitions in the prior year

COBRA Holdings PLC purchased the entire share capital of the following companies, all of which are incorporated in England & Wales. Unless otherwise stated, the acquisitions were for 100% of the share capital and voting rights.

- 1) COBRA Giles (Alton) Limited – retail broker (acquired on 3 April 2009)
- 2) COBRA J.K Lee Limited – retail broker (acquired on 3 April 2009)
- 3) OPAL Mortgage, Life and Pensions Limited – provision of financial services (acquired on 26 September 2008)
- 4) Thornway Insurance Services Limited – retail broker (acquired on 23 February 2009)

Further information about the subsidiary companies is set out in note 26.

COBRA Holdings PLC acquired the business and assets of the following companies:

- 1) COBRA GDK Limited
- 2) COBRA County Insurance Services Schemes

Notes to the consolidated financial statements for the year ended 31 March 2010

24b. Acquisitions in the prior period (continued)

All acquisitions have been accounted for by the purchase method of accounting. The fair values of the net assets acquired are set out as follows:

	COBRA Giles (Alton) Ltd			COBRA J.K Lee Ltd		
	Book Value £	Fair value adjustment £	Fair value £	Book Value £	Fair value adjustment £	Fair value £
Non-current assets						
Property, plant & equipment	598,739	-	598,739	3,795	-	3,795
Customer relationships	-	399,000	399,000	-	138,000	138,000
	<u>598,739</u>	<u>399,000</u>	<u>997,739</u>	<u>3,795</u>	<u>138,000</u>	<u>141,795</u>
Current assets						
Receivables	289,224	-	289,224	1,014,785	-	1,014,785
Cash at bank and in hand	851,041	-	851,041	395,255	-	395,255
	<u>1,140,265</u>	<u>-</u>	<u>1,140,265</u>	<u>1,410,040</u>	<u>-</u>	<u>1,410,040</u>
Total assets	1,739,004	399,000	2,138,004	1,413,835	138,000	1,551,835
Current liabilities	668,276	-	668,276	1,182,174	-	1,182,174
Non-current liabilities	-	111,720	111,720	-	38,640	38,640
	<u>668,276</u>	<u>111,720</u>	<u>779,996</u>	<u>1,182,174</u>	<u>38,640</u>	<u>1,220,814</u>
Net assets acquired	<u>1,070,728</u>	<u>287,280</u>	1,358,008	<u>231,661</u>	<u>99,360</u>	331,021
Goodwill			2,759,189			1,576,152
Total Consideration			<u>4,117,197</u>			<u>1,907,173</u>
Satisfied by						
Cash and expenses			1,085,474			787,714
Ordinary £0.25 shares in COBRA Holdings PLC			200,000			255,000
Deferred consideration			2,831,723			864,459
			<u>4,117,197</u>			<u>1,907,173</u>

The consideration for COBRA Giles Limited includes deferred cash payments of £1,950,000 paid in late April 2008, £80,000 due in January 2009 and £670,000 due in April 2009. On 2 April 2009 it was agreed to defer £335,000 of the £670,000 due, until April 2010 at a coupon rate of 10%. On 28 February 2010, it was agreed to further extend this deferral of £335,000 until April 2012.

The consideration for COBRA J.K Lee Limited includes a first deferred cash payment of £361,250 due in July 2009 and a final deferred cash payment due in July 2010 of between £361,250 and £511,250 depending on performance. There are also two equal deferred cash payments of approximately £113,567 due in October 2008 and July 2009.

Notes to the consolidated financial statements for the year ended 31 March 2010

24b. Acquisitions in the prior period (continued)

	OPAL Mortgage Life & Pensions Ltd			Thornway Insurances Ltd		
	Book Value £	Fair value adjustment £	Fair value £	Book Value £	Fair value adjustment £	Fair value £
Non-current assets						
Property, plant & equipment	13,425	-	13,425	3,208	-	3,208
Investments	3,681	13,035	16,716	-	-	-
Customer relationships	-	115,000	115,000	-	541,000	541,000
	<u>17,106</u>	<u>128,035</u>	<u>145,141</u>	<u>3,208</u>	<u>541,000</u>	<u>544,208</u>
Current assets						
Receivables	2,846	-	2,846	213,665	-	213,665
Cash at bank and in hand	139,190	-	139,190	424,340	-	424,340
	<u>142,036</u>	<u>-</u>	<u>142,036</u>	<u>638,005</u>	<u>-</u>	<u>638,005</u>
Total assets	159,142	128,035	287,177	641,213	541,000	1,182,213
Current liabilities	55,479	-	55,479	246,568	-	246,568
Non-current liabilities	-	32,200	32,200	-	151,480	151,480
	<u>55,479</u>	<u>32,200</u>	<u>87,679</u>	<u>246,568</u>	<u>151,480</u>	<u>398,048</u>
Net assets acquired	<u>103,663</u>	<u>95,835</u>	<u>199,498</u>	<u>394,645</u>	<u>389,520</u>	<u>784,165</u>
Goodwill			321,262			338,483
Total Consideration			<u>520,760</u>			<u>1,122,648</u>
Satisfied by						
Cash and expenses			266,505			194,599
Ordinary £0.25 shares in COBRA Holdings PLC			48,000			750,000
Deferred consideration			206,255			178,049
			<u>520,760</u>			<u>1,122,648</u>

The consideration for OPAL Mortgage Life and Pensions Limited includes a first deferred cash payment of £75,000 due in March 2009 and a final deferred cash payment due in December 2009 of between £191,160 and £291,160, depending on performance.

The consideration for Thornway Insurances Limited includes a deferred cash payment of £178,049 paid in June 2009.

Notes to the consolidated financial statements for the year ended 31 March 2010

24b. Acquisitions in the prior period (continued)

	COBRA GDK Ltd			COBRA County Insurance Services		
	Book Value £	Fair value adjustment £	Fair value £	Book Value £	Fair value adjustment £	Fair value £
Non-current assets						
Property, plant & equipment	-	-	-	-	-	-
Customer relationships	-	219,000	219,000	-	1,405,000	1,405,000
	-	219,000	219,000	-	1,405,000	1,405,000
Current assets						
Receivables	-	-	-	-	-	-
Cash at bank and in hand	-	-	-	-	-	-
	-	-	-	-	-	-
Total assets	-	219,000	219,000	-	1,405,000	1,405,000
Current liabilities						
Current liabilities	-	-	-	-	-	-
Non-current liabilities	-	61,320	61,320	-	393,400	393,400
	-	61,320	61,320	-	393,400	393,400
Net assets acquired	-	157,680	157,680	-	1,011,600	1,011,600
Goodwill			367,909			1,906,073
Total Consideration			525,589			2,917,673
Satisfied by						
Cash and expenses			296,761			767,377
Ordinary £0.25 shares in COBRA Holdings PLC			90,000			450,000
Deferred consideration			138,828			1,700,296
			525,589			2,917,673

The combined consideration payable for COBRA County Schemes Limited and COBRA G.D.K. Limited includes a deferred cash payment of £1,295,000 paid in April 2008 and a final deferred cash payment between £645,000 and £1,425,000 due in July 2009, depending on performance.

The profit/(loss) before tax of each of the acquired companies since the date of acquisition to 31 March 2009 is as follows:

	£
COBRA Giles (Alton) Limited	229,905
COBRA J.K Lee Limited	35,286
OPAL Mortgage Life & Pensions Limited	64,161
Thornway Insurances Limited	(7,224)
COBRA GDK Limited	56,574
COBRA County Insurance Services	279,718

If the acquisitions had occurred on 1 April 2008 then the Group revenue would have increased by £604,570 and the profit would have increased by £214,853.

Notes to the consolidated financial statements for the year ended 31 March 2010

25. Acquisition of subsidiaries

	Consolidated		Company	
	2010 £	2009 £	2010 £	2009 £
Total purchase consideration	-	(11,086,595)	-	(11,086,595)
Less: non-cash consideration	-	7,688,165	-	7,688,165
Additional costs on prior year acquisitions	45,685	(244,990)	45,685	(244,990)
Consideration paid in cash	45,685	(3,643,420)	45,685	(3,643,420)
Less : cash & cash equivalents acquired net of overdrafts	-	1,809,826	-	-
Net cash inflow on acquisition	45,685	(1,833,594)	45,685	(3,643,420)

26. Related party disclosures

The following companies were all wholly owned subsidiaries of COBRA Holdings PLC as at 31 March 2010 and all are incorporated in and operate from the United Kingdom:

Related party

	Class of holding	Principal activity	% held directly
BKG Corporate Risks Limited	Ordinary	Dormant	100
BKG Insurance Brokers Limited	Ordinary	Dormant	100
COBRA Capital Release Limited	Ordinary	Dormant	100
COBRA Corporate Solutions Limited	Ordinary	Insurance broking	100
COBRA Financial Services Limited	Ordinary	Financial services	64
COBRA GAL (Holdings) Limited	Ordinary	Holding company	100
COBRA Giles (Alton) Limited	Ordinary	Insurance broking	100
COBRA Insurance Brokers Limited	Ordinary	Insurance broking	100
COBRA J.K Lee Limited	Ordinary	Insurance broking	100
COBRA London Markets Limited	Ordinary	Insurance broking	-
COBRA Network Limited	A Ordinary	Insurance broker network	100
	B Ordinary		100
	C Ordinary		100
COBRA Resource Management Limited	Ordinary	Provision of Group services	100
COBRA TB Limited	Ordinary	Dormant	100
COBRA Tubbs Batten Limited	Ordinary	Insurance broking	100
COBRA UK & Ireland Holdings Limited	Ordinary	Holding company	100
COBRA UK & Ireland Insurance Consulting Limited	Ordinary	Dormant	-
COBRA UK & Ireland Limited	Ordinary	Insurance broking	-
COBRA Underwriting Agencies Limited	Ordinary	Underwriting agency	100
Hammond Frey Marrington Limited	Ordinary	Dormant	100
OPAL Mortgage Life and Pensions Limited	Ordinary	Financial services	100
Thornway Insurances Limited	Ordinary	Insurance broking	100

COBRA Financial Services Limited held 50% of the ordinary shares in Connections Financial Services Ltd. Connections Financial Services Ltd results to 31 March 2010 are immaterial to the Group and have not been included in these Group consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2010

26. Related party disclosures (continued)

There is a pension scheme for Directors, the BKG Group Pension Scheme, a defined contribution scheme.

Key management of the Group is considered to consist of all the Directors of the parent company. The key management compensation is disclosed in note 22.

The following loan note balances due to the following Directors were:

	2010	2009
	£	£
Steve Burrows	239,730	279,730
Wainford Holdings Ltd - (re Dominic Wainford)	7,000,000	6,000,000

The £7,000,000 convertible loan note due to Wainford Holdings Ltd was initially recorded at fair value with the liability element subsequently being held at amortised cost of £6,468,873 and equity value of £382,749 (note 17).

The loan note balance due to Steve Burrows was initially recorded at fair value and is subsequently carried at amortised cost and is included within the £1,351,044 loan notes balance as detailed in note 17.

Related party transactions for the year to 31 March 2010 are as follows:

Transactions between Group companies that are eliminated on consolidation are not disclosed.

The following related party balances due to / (from) the Company were:

	2010	2009
	£	£
BKG Corporate Risks Limited	-	507
COBRA Capital Release Limited	10,000	10,000
COBRA Corporate Solutions Limited	(552,486)	(211,994)
COBRA Financial Services Limited	273,182	176,659
COBRA GAL (Holdings) Limited	764,409	764,440
COBRA Giles (Alton) Limited	(1,169,654)	(661,360)
COBRA Insurance Brokers Limited	(1,967,395)	(1,729,110)
COBRA J.K Lee Limited	-	(38)
COBRA London Markets Limited	(433,330)	(53,683)
COBRA Network Limited	(2,438,771)	(1,697,271)
COBRA Resource Management	2,762,782	2,037,934
COBRA Underwriting Agencies	(1,552,108)	(1,415,801)
COBRA UK & Ireland Limited	(1,060,576)	(421,871)
Thornway Insurances Limited	-	(300,000)

During the year the Company recharged £2,525,899 (2009: £2,504,710) of expenses to its subsidiaries.

During the year the Company received dividends of £nil (2009: £nil) from its subsidiaries.

Notes to the consolidated financial statements for the year ended 31 March 2010

27. Contingent liabilities

In October 2007 the Company received advanced commission of £800,000 from a major insurer. This is being deferred and released over 5 years. In the event that the Group does not place a certain value of business through that insurer then the Group may be required to repay some or all of the advance.

The Company will continue to provide unlimited support to its subsidiaries.

The Group's policy on claims that may arise in connection with disputes in the ordinary course of business is described in note 1 on provisions.

28. Share based payments

The Company established an Enterprise Management Incentive share option scheme on 11 June 2007 for certain employees of the Group. The options are normally exercisable between the third and tenth anniversary of the date of grant. Options are forfeited if the employee leaves the Group before the options vest. The share base payment charge for the year is £127,073 (2009: £134,081).

Details of the share options outstanding during the year are as follows:

	31 March 2010	31 March 2009
	Number	Number
	of	of
	shares	shares
Outstanding at the beginning of the year	2,040,000	2,040,000
Granted during the year	805,000	-
Exercised during the year	-	-
Lapsed during the year	(210,000)	-
Outstanding at the end of the year	<u>2,635,000</u>	<u>2,040,000</u>
Exercised at the end the year	-	-

Weighted average for the year: £0.776 (2009: £0.805).

Notes to the consolidated financial statements for the year ended 31 March 2010

28. Share based payments (continued)

The remaining contractual life of share options at 31 March 2010 was 1,960,000 expiring June 2017, 70,000 expiring January 2018, 400,000 expiring September 2019 and 405,000 expiring December 2019.

Options have been valued using the Black Scholes valuation model. There are no performance conditions attached to the share options. The fair value of the options granted and the assumptions used in the calculation are as follows:

	Options granted 24 September 2009	Options granted 21 December 2009
Expected volatility *	14%	14%
Expected life	6.5 years	6.5 years
Risk-free rate	3%	3%
Expected dividends	Nil	Nil
Share price	72.50p	69.50p

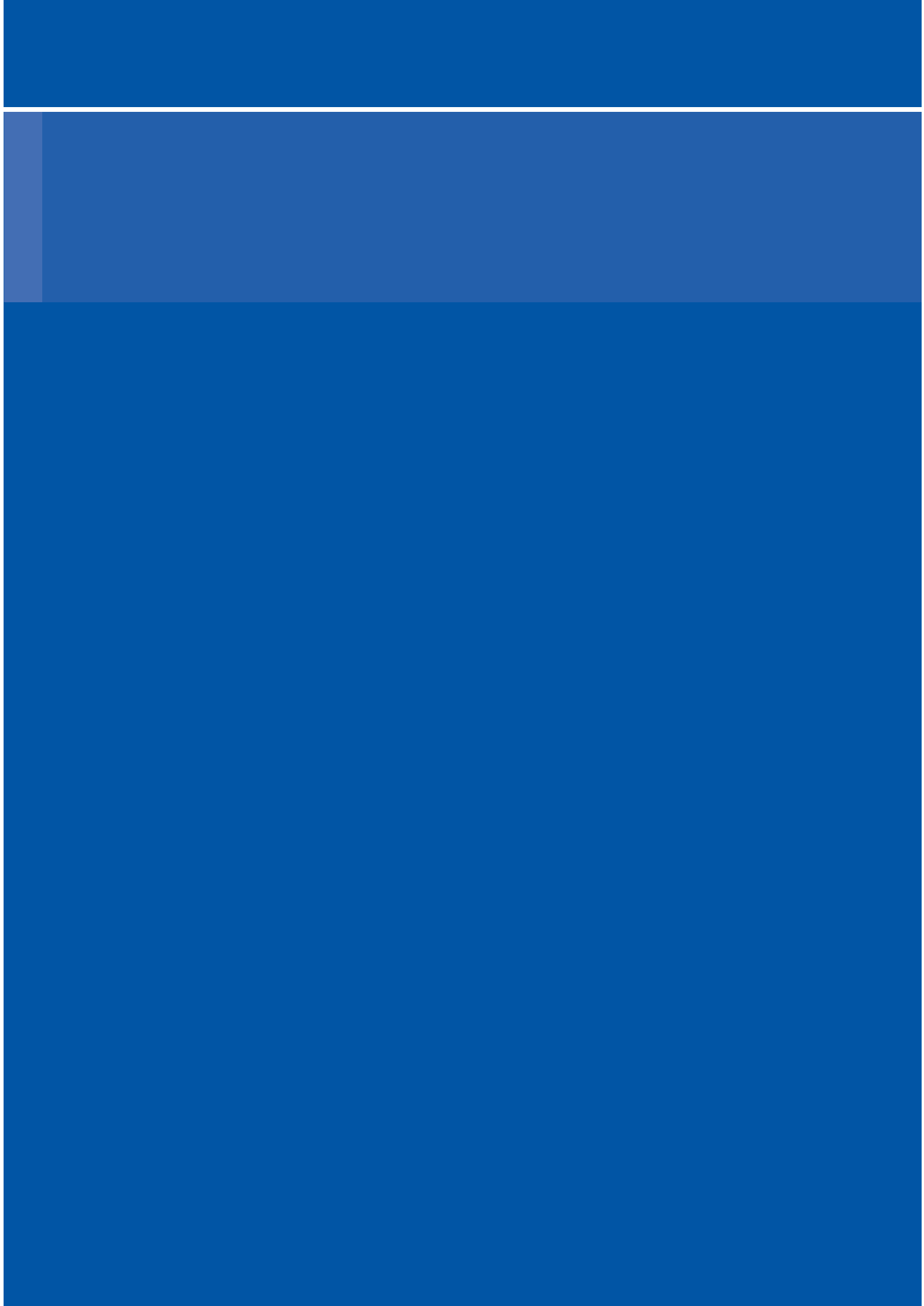
The exercise price of the options granted was between 69.5p and 92.5p. The weighted average exercise price is 77.6p.

There were no options issued in the prior year.

The mid market value of the company's ordinary shares was 73.50p at 31 March 2010 and the range during the year was 65.00p - 76.50p.

29. Reserves

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Convertible debt	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Acquisition reserve	This arose following a Group reorganisation that created the holding company Cobra Holdings PLC.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.





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